

was again reorganized,¹ and provision was made for accumulation of a gold fund in London.³

These measures, courageously adhered to by the Brazilian Government, soon began to bear fruit. The year 1899 witnessed the withdrawal of 52,214,605 milreis of depreciated paper and the year 1900, 34,095,434 milreis. The withdrawals were not so large in succeeding years, but the outstanding circulation was reduced on March 31, 1908, to 610,816,013 milreis,³ within sight of the goal of 600,000,000 milreis fixed by the government. The exchange value of the paper mounted upward, slowly at first, until it attained 9 pence in June, 1905. Then, under the influence of other reformatory measures contemplated by the government, it suddenly advanced in July to 13 pence and in August to nearly 17 pence. These sudden advances were disturbing to the financial markets, and after a sharp reaction the rate settled between 12 and 15 pence, which came to be treated as approximating the rate at which resumption of specie payments would eventually be accomplished.

The value of the paper money, having once entered firmly upon the upward course, had advanced so rapidly that it was impossible for prices to adjust themselves to the changes. Before the close of August, 1905, when the value of the milreis had touched 17 pence, there was general complaint that prices were no lower in paper than when exchange was at twelve pence or even at eight pence.⁴ It was evident that conditions were ripe for further steps. The issue of gold notes at a fixed rate, as in the Argentine, began to be discussed by the financial journals. To accomplish this upon a sound basis the government determined to again revise the statutes of the national bank, now known as the Bank of the Republic. For the first time since 1900 a general meeting of

¹ Lyon, 801.

* *Economists European*, March 17, 1898, XIII., 319.

³ Presidential message, in *Moniteur des Intérêts Matériels*, June-24, 1908, 2075.

⁴ *Economiste Européen*, August 25, 1905, XXVIII., 228.